

TOWNSHIP OF MONTROSE
MONTROSE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Marion</i>	County <i>Genesee</i>
Audit Date <i>12/31/04</i>	Opinion Date <i>6/14/05</i>	Date Accountant Report Submitted to State: <i>6/30/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. 8th Street</i>	City <i>Marion City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

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Township of Montrose
List of Elected Officials
December 31, 2004

ELECTED OFFICIALS

Donald Papineau	Supervisor
Kelly Yukos	Clerk
Donald Sullivan	Treasurer
John Newcomer	Trustee
Gary Keeler	Trustee
William Persails	Trustee
Fred Domine	Trustee

FINANCIAL SECTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Montrose
Montrose, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Montrose, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Montrose, Michigan's management. Our responsibility is to express opinion's on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Montrose, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Township of Montrose
Independent Auditors' Report
Page Two

As described in Note IV, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2005, on our consideration of the Township of Montrose's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Sandy E. Threlkeld, CPA, PC

June 14, 2005

BASIC FINANCIAL STATEMENTS

Township of Montrose
Statement of Net Assets
December 31, 2004

	Governmental	Business	
	Activities	-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 893,860	\$ 228,094	\$ 1,121,954
Receivables		69,438	69,438
Prepaid expenses	42,178		42,178
Due from other funds	74,137		74,137
Restricted cash		60,984	60,984
Capital assets (net of accumulated depreciation):			
Land and improvements	229,000		229,000
Buildings and improvements	497,564		497,564
Machinery and equipment	617,186		617,186
Park improvements	540,745		540,745
Cemetery improvements	89,318		89,318
Parking lot	7,200		7,200
Sewer system		500,328	500,328
Water system		795,006	795,006
Total assets	<u>2,991,188</u>	<u>1,653,850</u>	<u>4,645,038</u>
LIABILITIES			
Accounts payable	140,302		140,302
Accrued liabilities	13,361		13,361
Accrued interest		9,750	9,750
Noncurrent liabilities:			
Due within one year		59,666	59,666
Due in more than one year		339,896	339,896
Total liabilities	<u>153,663</u>	<u>409,312</u>	<u>562,975</u>
NET ASSETS			
Invested in capital assets, net of related debt		895,772	895,772
Restricted for:			
Debt service		60,984	60,984
Unrestricted	<u>2,683,862</u>	<u>287,782</u>	<u>2,971,644</u>
Total net assets	<u>\$2,837,525</u>	<u>\$1,244,538</u>	<u>\$ 4,082,063</u>

See notes to financial statements

Township of Montrose
Statement of Activities
For the Year Ended December 31, 2004

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 254,902	\$	\$	\$
Government	325,029	45,918	11,062	
Public safety	951,194	140,892	206,738	
Public works	450,926	155,760		500,408
Recreation & culture	136,062		22,425	61,971
Unallocated	<u>144,300</u>			
Total governmental activities	2,262,413	342,570	240,225	562,379
Business-type activities:				
Sewer	91,988	116,605		
Water	<u>453,488</u>	<u>334,390</u>		
Total	<u>\$2,807,889</u>	<u>\$793,565</u>	<u>\$ 240,225</u>	<u>\$ 562,379</u>

General revenues:
Property taxes
State aid
Interest earnings
Rents
Miscellaneous
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustment

Net assets - ending

See notes to financial statements

**Net(Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (254,902)	\$	\$ (254,902)
(268,049)		(268,049)
(603,564)		(603,564)
205,242		205,242
(51,666)		(51,666)
<u>(144,300)</u>		<u>(144,300)</u>
(1,117,239)		(1,117,239)
	24,617	24,617
	<u>(119,098)</u>	<u>(119,098)</u>
<u>(1,117,239)</u>	<u>(94,481)</u>	<u>(1,211,720)</u>
350,959		350,959
483,294		483,294
10,403	6,028	16,431
1,900		1,900
57,566		57,566
<u>(100,000)</u>	<u>100,000</u>	
<u>804,122</u>	<u>106,028</u>	<u>910,150</u>
(313,117)	11,547	(301,570)
3,105,071	1,232,991	4,338,062
<u>45,571</u>		<u>45,571</u>
<u>\$2,837,525</u>	<u>\$1,244,538</u>	<u>\$ 4,082,063</u>

Township of Montrose
Balance Sheet
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Police</u>	<u>Sanitary Landfill</u>	<u>Other Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 14,196	\$ 13,738	\$699,814	\$166,112
Prepaid expenses	42,178			
Due from other funds	<u>13,894</u>	<u>45,192</u>	<u> </u>	<u>15,051</u>
Total assets	<u>\$ 70,268</u>	<u>\$ 58,930</u>	<u>\$699,814</u>	<u>\$181,163</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$	\$ 660	\$139,492	\$ 150
Accrued liabilities	<u>13,361</u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>13,361</u>	<u>660</u>	<u>139,492</u>	<u>150</u>
Fund balances:				
Unreserved, reported in:				
General fund	56,907			
Special revenue funds	<u> </u>	<u>58,270</u>	<u>560,322</u>	<u>181,013</u>
Total fund balances	<u>56,907</u>	<u>58,270</u>	<u>560,322</u>	<u>181,013</u>
Total Liabilities and Fund Balances	<u>\$ 70,268</u>	<u>\$ 58,930</u>	<u>\$699,814</u>	<u>\$181,163</u>

See notes to financial statements

**Total
Governmental
Funds**

\$ 893,860
42,178

74,137

\$1,010,175

\$ 140,302
13,361

153,663

56,907

799,605

856,512

\$1,010,175

Township of Montrose
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
December 31, 2004

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 856,512
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	3,588,871
Accumulated depreciation	<u>(1,607,858)</u>

Total Net Assets - Governmental Activities	<u>\$ 2,837,525</u>
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See notes to financial statements

Township of Montrose
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For the Year Ended December 31, 2004

	<u>General</u>	<u>Police</u>	<u>Sanitary Landfill</u>	<u>Other Governmental Funds</u>
REVENUES				
Taxes & adm. fees	\$ 129,135	\$166,385	\$	\$ 55,439
Licenses & permits	20,813			
Federal aid	22,425	40,171		
State aid	483,294	4,170	41,971	
Charges for services	220,425	72,182		
Interest earnings	1,699	393	6,765	1,546
Rents	1,900			
Contributions & donations	11,062	162,397	500,408	20,000
Fines & forfeits		29,150		
Miscellaneous	<u>35,236</u>	<u>6,983</u>	<u>3,137</u>	<u>12,210</u>
Total revenues	<u>925,989</u>	<u>481,831</u>	<u>552,281</u>	<u>89,195</u>
EXPENDITURES				
Current:				
Legislative	254,902			
General government	192,005			1,180
Public safety	189,025	693,940		11,833
Public works	180,297		270,629	
Recreation & culture	92,475			14,357
Unallocated	144,300			
Capital outlay:				
Police car		23,734		
Total expenditures	<u>1,053,004</u>	<u>717,674</u>	<u>270,629</u>	<u>27,370</u>
Excess(deficiency) of revenues over(under) expenditures	(127,015)	(235,843)	281,652	61,825
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>27,450</u>	<u>238,420</u>	<u>(365,870)</u>	
Net changes in fund balances	(99,565)	2,577	(84,218)	61,825
Fund balances-beg.	131,764	34,832	644,540	119,188
Prior period adjust.	<u>24,710</u>	<u>20,861</u>		
Fund balances-end.	<u>\$ 56,909</u>	<u>\$ 58,270</u>	<u>\$560,322</u>	<u>\$181,013</u>

See notes to financial statements

Total
Governmental
Funds

\$ 350,959
20,813
62,596
529,435
292,607
10,403
1,900

693,867
29,150
57,566
2,049,296

254,902
193,185
894,798
450,926

106,832
144,300

23,734
2,068,677

(19,381)

(100,000)

(119,381)

930,324
45,571

\$ 856,514

Township of Montrose
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2004

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$(119,381)
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Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays
exceeded depreciation in the current period.

Capital outlays	23,734
Depreciation	<u>(217,470)</u>

Change in net assets of governmental activities	<u><u>\$(313,117)</u></u>
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See notes to financial statements

Township of Montrose
Statement of Net Assets
Proprietary Funds
December 31, 2004

	<u>Business-type Activities -Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Sewer Fund Current Year</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,511	\$ 79,001
Receivables	<u>13,432</u>	<u>16,187</u>
Total current assets	<u>78,943</u>	<u>95,188</u>
Noncurrent assets:		
Restricted cash, cash equivalents:		
Debt service	<u> </u>	<u> </u>
Capital assets:		
Sewer system	539,460	539,460
Water system		
Less accumulated depreciation	<u>(25,646)</u>	<u>(39,132)</u>
Total capital assets (net of accumulated depreciation)	<u>513,814</u>	<u>500,328</u>
Total noncurrent assets	<u>513,814</u>	<u>500,328</u>
Total assets	<u>592,757</u>	<u>595,516</u>
LIABILITIES		
Current liabilities:		
Accrued interest	9,542	8,977
Bonds payable		
Notes payable	<u>22,942</u>	<u>24,666</u>
Total current liabilities	32,484	33,643
Noncurrent liabilities:		
Notes payable	<u>364,562</u>	<u>339,896</u>
Total liabilities	<u>397,046</u>	<u>373,539</u>
NET ASSETS		
Invested in capital assets	126,310	135,766
Restricted for debt service		
Unrestricted	<u>69,401</u>	<u>86,211</u>
Total net assets	<u>\$ 195,711</u>	<u>\$ 221,977</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

<u>Prior Year</u>	<u>Water Fund Current Year</u>	<u>Totals 12/31/04</u>
\$ 179,305	\$ 149,093	\$ 228,094
<u>37,739</u>	<u>53,251</u>	<u>69,438</u>
<u>217,044</u>	<u>202,344</u>	<u>297,532</u>
<u>96,907</u>	<u>60,984</u>	<u>60,984</u>
1,249,526	1,249,526	539,460
(423,280)	(454,520)	1,249,526
<u>826,246</u>	<u>795,006</u>	<u>(493,652)</u>
<u>923,153</u>	<u>855,990</u>	<u>1,295,334</u>
<u>1,140,197</u>	<u>1,058,334</u>	<u>1,356,318</u>
2,917	773	<u>1,653,850</u>
65,000	35,000	9,750
<u>67,917</u>	<u>35,773</u>	35,000
35,000		<u>24,666</u>
<u>102,917</u>		69,416
726,246	760,006	<u>339,896</u>
96,907	60,984	
<u>214,127</u>	<u>201,571</u>	<u>409,312</u>
<u>\$1,037,280</u>	<u>\$1,022,561</u>	<u>\$1,244,538</u>

Township of Montrose
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Operating revenues:		
Charges for services	\$ 89,084	\$ 94,904
Total operating revenues	<u>89,084</u>	<u>94,904</u>
Operating expenses:		
Sewer use fees	43,240	51,140
Purchase of water		
Utilities		39
County billing charges	719	1,020
Depreciation	<u>13,487</u>	<u>13,487</u>
Total operating expenses	<u>57,446</u>	<u>65,686</u>
Operating income(loss)	<u>31,638</u>	<u>29,218</u>
Nonoperating revenues (expenses):		
Transfer in		
Tap in fees	12,632	21,701
Investment earnings & penalties	1,082	1,649
Turn on/off charges		(1,200)
Sewer connections	(7,097)	(2,400)
Line payments		
Miscellaneous expense		
Miscellaneous revenue		
Special assessments & interest		
Interest expense & fiscal charges	<u>(24,006)</u>	<u>(22,702)</u>
Total nonoperating revenue		
(expenses)	<u>(17,389)</u>	<u>(2,952)</u>
Change in net assets	14,249	26,266
Total net assets - beginning	<u>181,462</u>	<u>195,711</u>
Total net assets - ending	<u>\$ 195,711</u>	<u>\$ 221,977</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

<u>Prior Year</u>	<u>Water Fund Current Year</u>	<u>Totals 12/31/04</u>
\$ 203,084	\$ 288,096	\$ 383,000
<u>203,084</u>	<u>288,096</u>	<u>383,000</u>
130,808	185,378	51,140 185,378
677	2,370	39 3,390
<u>31,240</u>	<u>31,240</u>	<u>44,727</u>
<u>162,725</u>	<u>218,988</u>	<u>284,674</u>
<u>40,359</u>	<u>69,108</u>	<u>98,326</u>
	100,000	100,000
8,582	16,665	38,366
4,240	4,379	6,028
(99)	(66)	(1,266)
(22,070)	(226,000)	(2,400)
(3,473)		(226,000)
58	65	65
32,063	29,564	29,564
(16,014)	(8,434)	(31,136)
<u>3,287</u>	<u>(83,827)</u>	<u>(86,779)</u>
43,646	(14,719)	11,547
<u>993,634</u>	<u>1,037,280</u>	<u>1,232,991</u>
<u>\$1,037,280</u>	<u>\$1,022,561</u>	<u>\$1,244,538</u>

Township of Montrose
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Sewer Fund</u> <u>Current Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 91,215	\$ 92,149
Payments to suppliers	(43,240)	(52,199)
Net cash provided by operating activities	<u>47,975</u>	<u>39,950</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer in		
Tap in fees	12,632	21,700
Turn on/off charges		(1,200)
Sewer connections	(7,097)	(2,400)
Miscellaneous	(719)	
Net cash provided by noncapital financing activities	<u>4,816</u>	<u>18,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Line payments		
Special assessments & interest		
Interest expense	(24,540)	(23,267)
Note and bond principal payments	(21,679)	(22,942)
Net cash (used) by capital and related financing activities	<u>(46,219)</u>	<u>(46,209)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash decrease		
Interest received	<u>1,081</u>	<u>1,649</u>
Net cash provided by investing activities	<u>1,081</u>	<u>1,649</u>
Net decrease in cash and cash equivalents	7,653	13,490
Cash and cash equivalents, beginning	<u>57,858</u>	<u>65,511</u>
Cash and cash equivalents, ending	<u>\$ 65,511</u>	<u>\$ 79,001</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

<u>Prior Year</u>	<u>Water Fund Current Year</u>	<u>Totals 12/31/04</u>
\$ 198,986	\$ 272,584	\$ 364,733
<u>(130,808)</u>	<u>(187,748)</u>	<u>(239,947)</u>
<u>68,178</u>	<u>84,836</u>	<u>124,786</u>
	100,000	100,000
8,582	16,665	38,365
(99)	(66)	(1,266)
<u>(4,092)</u>	<u>65</u>	<u>(2,400)</u>
		<u>65</u>
<u>4,391</u>	<u>116,664</u>	<u>134,764</u>
(22,070)	(226,000)	(226,000)
27,642	29,564	29,564
(15,924)	(10,578)	(33,845)
<u>(105,000)</u>	<u>(65,000)</u>	<u>(87,942)</u>
<u>(115,352)</u>	<u>(272,014)</u>	<u>(318,223)</u>
47,425	35,923	35,923
<u>8,660</u>	<u>4,379</u>	<u>6,028</u>
<u>56,085</u>	<u>40,302</u>	<u>41,951</u>
13,302	(30,212)	(16,722)
<u>166,003</u>	<u>179,305</u>	<u>244,816</u>
<u>\$ 179,305</u>	<u>\$ 149,093</u>	<u>\$ 228,094</u>

Township of Montrose
Statement of Cash Flows
Proprietary funds
For the Year Ended December 31, 2004
(Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income(loss)	\$ <u>46,071</u>	\$ <u>29,218</u>
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	13,487	13,487
(Increase) decrease in accounts receivable	<u>2,131</u>	<u>(2,755)</u>
Total adjustments	<u>15,618</u>	<u>10,732</u>
Net cash provided by operating activities	<u>\$ 61,689</u>	<u>\$ 39,950</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

<u>Prior Year</u>	<u>Water Fund Current Year</u>	<u>Totals 12/31/04</u>
\$ 53,917	\$ 69,108	\$ 98,326
31,240	31,240	44,727
(4,099)	(15,512)	(18,267)
<u>27,141</u>	<u>15,728</u>	<u>26,460</u>
<u>\$ 81,058</u>	<u>\$ 84,836</u>	<u>\$ 124,786</u>

Township of Montrose
Statement of Fiduciary Funds
Fiduciary Funds
December 31, 2004

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>
ASSETS		
Cash and cash equivalents	\$ 7,809	\$1,147,773
Total assets	<u>7,809</u>	<u>1,147,773</u>
LIABILITIES		
Due to other funds		74,137
Due to other governmental units		<u>1,073,636</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 7,809</u>	<u>\$</u>

See notes to financial statements

Township of Montrose
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2004

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>
ADDITIONS		
Property tax collections, special assessments and fees	\$	\$3,986,749
Investment earnings:		
Interest	58	
Contributions	<u>2,500</u>	
Total additions	<u>2,558</u>	<u>3,986,749</u>
DEDUCTIONS		
Transfers to general fund		129,135
Transfers to police fund		166,385
Transfers to fire fund		55,439
Payments to other governmental units		3,635,790
Other payments	<u>7,409</u>	
Total deductions	<u>7,409</u>	<u>3,986,749</u>
Changes in net assets	(4,851)	
Net assets - beginning	<u>12,660</u>	
Net assets - ending	<u>\$ 7,809</u>	<u>\$</u>

See notes to financial statements

Township of Montrose
Notes to the Financial Statements
December 31, 2004

I. Summary of significant accounting policies

The financial statements of the Township of Montrose (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected seven-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of February 14th are turned over to Genesee County, which advances the Township 100% for the delinquent taxes.

The 2004 taxable valuation of the Township totaled \$114,140,393, on which ad valorem taxes levied consisted of .8738 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$29,174 to collect the taxes and applicable interest. The Township also two voted millages for police and fire purposes of 1.4577 and .4857 mills, respectively.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *police and Sanitary Landfill funds* are special revenue funds and are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

The Township reports the following major proprietary funds:

The *sewer and water funds* account for activities of the business-type - Enterprise Fund of the Township. The intent of the Township's Board is that the costs of providing sewer and water services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Township reports the following nonmajor governmental funds:

The *fire, park, and cemetery funds* are special revenue funds and are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

Additionally, the government reports the following fund types:

Trust funds are used to account for assets held by the government in a trustee capacity. The *trust and agency fund* is a trust fund.

The *current tax collection fund* is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for sales and services. The Township also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

It is the Township's policy to place delinquent sewer and water bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain resources of the Township's enterprise funds set aside for the repayment of notes payable, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable note covenants.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	10
Park improvements	20
Cemetery improvements	20
Parking lot	20
Sewer system	40
Water system	40

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. There are not any long-term obligations in the governmental fund types as of December 31, 2004.

7. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There were not any reservations or designations of fund balances in governmental funds.

8. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31st, the budget should be legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). In recent years the budget has not been prepared or adopted by the Township Board until several months into the applicable budgeted year. The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

B. Excess of expenditures over appropriations

During the year ended December 31, 2004, expenditures exceeded appropriations in the activities of each fund, as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Variance</u>
General Fund:			
General government:			
Supervisor	\$ 28,550	\$ 29,567	\$ (1,017)
Assessor	22,655	25,309	(2,654)
Clerk	50,365	50,379	(14)
Treasurer	36,050	36,649	(599)
Public safety:			
Fire department	116,920	155,175	(38,255)
Public works:			
Roads	1,000	7,369	(6,369)
Drain at large	15,000	15,528	(528)
Recreation & culture:			
Library	11,150	13,036	(1,886)
Unallocated:			
Legal and settlements	40,000	144,300	(104,300)
Transfers out	189,661	215,000	(25,339)

These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Township's deposits were \$2,338,520 and the bank balance was \$2,403,047, of which \$1,445,993 was covered by federal depository insurance.

B. Receivables

The receivables in the enterprise funds consist of accounts receivable from customers of \$69,438.

C. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 229,000	\$	\$	\$ 229,000
Capital assets, being depreciated:				
Buildings & improvements	1,047,502			1,047,502
Equipment	949,331			949,331
Fire equipment	426,023			426,023
Police equipment	114,207	23,734		137,941
Park improvements	584,590			584,590
Cemetery improvements	198,484			198,484
Parking lot	16,000			16,000
Total capital assets being depreciated	3,336,137	23,734		3,359,871
Less accumulated depreciation for:				
Buildings & improvements	(523,751)	(26,187)		(549,938)
Equipment	(474,665)	(94,933)		(569,598)
Fire equipment	(213,011)	(42,602)		(255,613)
Police equipment	(57,104)	(13,794)		(70,898)
Park improvements	(14,615)	(29,230)		(43,845)
Cemetery improvements	(99,242)	(9,924)		(109,166)
Parking lot	(8,000)	(800)		(8,800)
Total accumulated depreciation	(1,390,388)	(217,470)		(1,607,858)
Total capital assets, being depreciated, net	1,945,749	(193,736)		1,752,013
Governmental activities capital assets, net	\$2,174,749	\$ (193,736)	\$	\$1,981,013

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, being depreciation:				
Sewer system	\$ 539,460	\$	\$	\$ 539,460
Water system	<u>1,249,526</u>			<u>1,249,526</u>
Total capital assets, being depreciated	<u>1,788,986</u>			<u>1,788,986</u>
Less accumulated depreciation for:				
Sewer system	(25,646)	(13,486)		(39,132)
Water system	<u>(423,280)</u>	<u>(31,240)</u>		<u>(454,520)</u>
Total accumulated depreciation	<u>(448,926)</u>	<u>(44,726)</u>		<u>(493,652)</u>
Total capital assets, being depreciated, net	<u>1,340,060</u>	<u>(44,726)</u>		<u>1,295,334</u>
Business-type activities capital assets, net	<u>\$1,340,060</u>	<u>\$ (44,726)</u>	<u>\$</u>	<u>\$1,295,334</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$131,844
Public safety	56,396
Recreation	<u>29,230</u>
Total depreciation expense- governmental activities	<u>\$217,470</u>
Business-type activities:	
Sewer	\$ 13,486
Water	<u>31,240</u>
Total depreciation expense- business-type activities	<u>\$ 44,726</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:			
	<u>General Fund</u>	<u>Police Fund</u>	<u>Water Fund</u>	<u>Total</u>
General fund	\$	\$215,000	\$	\$ 215,000
Sanitary landfill fund	<u>242,450</u>	<u>23,420</u>	<u>100,000</u>	<u>365,870</u>
Total transfers out	<u>\$242,450</u>	<u>\$238,420</u>	<u>\$100,000</u>	<u>\$ 580,870</u>

The composition of interfund balances as of December 31, 2004, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	\$ 13,894
Police	Tax collection	45,192
Fire	Tax collection	<u>15,051</u>
Total		<u>\$ 74,137</u>

E. Long-term debt

Notes Payable

On August 3, 2000, the Township borrowed from National City Bank \$448,952.70 to construct a Sanitary Sewer Line. The terms of the installment agreement is an 5.91% per annum interest rate through August 3, 2005, with such interest rate adjusted and effective on August 4, 2005 through August 3, 2010 to be equal to 91% of the average yield on U.S. Treasury Notes with maturity dates occurring within the month of July, 2010 and with such interest rate adjusted again and effective on August 4, 2010 and thereafter to be equal to 91% of the average yield on U.S. Treasury Notes with maturity dates occurring within the month of July, 2015. The Township shall pay fifteen (15) annual payments of \$46,211.08 principal and interest each in accordance with the payment schedule.

Note debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 24,666	\$ 21,545
2006	25,323	20,888
2007	27,620	18,591
2008	29,252	16,959
2009	30,981	15,230
2010-2014	184,632	46,423
2015	<u>42,088</u>	<u>4,123</u>
Total	<u>\$ 364,562</u>	<u>\$ 143,759</u>

Bonds Payable

On May 1, 1995, the Township issued bonds in the amount of \$635,000 to defray all or part of the costs of certain water line improvements in the Seymour Road Water Special Assessment District. Bond and interest payments are to be made on March 1st of each year until the final maturity of the bonds on March 1, 2005. Maturities of the 1996 bonds payable for each of the next five years are as follows: March 1, (2005) \$35,000.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.3%	<u>\$ 35,000</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
Notes payable	\$ 387,504	\$ (22,942)	\$ 364,562	\$ 24,666
Bonds payable	<u>100,000</u>	<u>(65,000)</u>	<u>35,000</u>	<u>35,000</u>
	<u>\$ 487,504</u>	<u>\$ (87,942)</u>	<u>\$ 399,562</u>	<u>\$ 59,666</u>

F. Segment information

The Township borrowed from National City Bank on August 3, 2000 to construct a Sanitary Sewer Line and on May 1, 1995 the Township issued bonds to help defray all or part of the costs of certain water line improvements. Summary financial information for the sewer and water departments is presented below.

CONDENSED STATEMENT OF NET ASSETS

	Sewer	Water
Assets:		
Current assets	\$ 95,188	\$ 202,344
Restricted assets		60,984
Capital assets	500,328	795,006
Total assets	<u>595,516</u>	<u>1,058,334</u>
Liabilities:		
Current liabilities	33,643	35,773
Noncurrent liabilities	339,896	
Total liabilities	<u>373,539</u>	<u>35,773</u>
Net assets:		
Invested in capital assets	135,766	760,006
Restricted		60,984
Unrestricted	86,211	201,571
Total net assets	<u>\$ 221,977</u>	<u>\$ 1,022,561</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Charges for services	\$ 94,904	\$ 288,096
Depreciation expense	(13,487)	(31,240)
Other operating expenses	(52,199)	(187,748)
Operating income(loss)	<u>29,218</u>	<u>69,108</u>
Nonoperating revenues(expenses):		
Tap in fees	21,701	16,665
Investment earnings & penalties	1,649	4,379
Turn on/off charges	(1,200)	(66)
Sewer connections	(2,400)	
Line payments		(226,000)
Miscellaneous revenue		65
Special assessments & interest		29,564
Interest expense & fiscal charges	(22,702)	(8,434)
Transfers in		100,000
Total nonoperating revenue		<u>100,000</u>
(expenses)	<u>(2,952)</u>	<u>(83,827)</u>
Change in net assets	26,266	(14,719)
Beginning net assets	195,711	1,037,280
Ending net assets	<u>\$ 221,977</u>	<u>\$ 1,022,561</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:		
Operating activities	\$ 39,950	\$ 84,836
Noncapital financing activities	18,100	116,664
Capital and related financing activities	(46,209)	(272,014)
Investing activities	1,649	40,302
Net increase (decrease)	13,490	(30,212)
Beginning cash and cash equivalents	65,511	179,305
Ending cash and cash equivalents	<u>\$ 79,001</u>	<u>\$ 149,093</u>

G. Schedule of investment in capital assets

Changes in the investment in capital assets in the enterprise fund type for the year ended December 31, 2004, consist of the following:

Balance - beginning	\$ 852,556
Add: Payments of principal on loans	87,942
Deduct: Depreciation of assets purchased	(44,726)
Balance - ending	<u>\$ 895,772</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

On October 17, 1995, the Township Board adopted a 401(a) Deferred Compensation Plan for full-time and part-time police employees with MERS (Michigan Employees Retirement System). Full-time employees must contribute a minimum of 1 percent per pay period to receive a contribution from the Township in the form of a bonus of 5 percent per pay period. Part-time employees can participate in the plan, but will not receive the contribution from the Township. The Township paid \$14,196 for their portion and the employee's portion was \$3,659.

C. Implementation of new accounting standard

As of and for the year ended December 31, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the

economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

D. Prior period adjustment

The prior period fund balance was increased in the general fund by \$24,710 and in the police fund by \$20,861 to correct for the amounts transferred between funds.

Required Supplementary Information

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fire Fund - This fund is used to account for the collection of voted property taxes restricted for fire disbursements.

Park Fund - This fund is used to account for private donations that are specifically restricted for park purposes.

Cemetery Fund - This fund is used to account for private donations and lot sales that are specifically restricted for cemetery purposes.

Township of Montrose
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Fire</u>	<u>Park</u>	<u>Cemetery</u>	
ASSETS				
Cash and cash equivalents	\$ 77,475	\$ 22,831	\$ 65,806	\$166,112
Due from other funds	<u>15,051</u>	<u> </u>	<u> </u>	<u>15,051</u>
Total assets	<u>\$ 92,526</u>	<u>\$ 22,831</u>	<u>\$ 65,806</u>	<u>\$181,163</u>
LIABILITIES				
Accounts payable	\$ <u> </u>	\$ <u>150</u>	\$ <u> </u>	\$ <u>150</u>
Total liabilities	<u> </u>	<u>150</u>	<u> </u>	<u>150</u>
FUND BALANCES				
Unreserved	<u>92,526</u>	<u>22,681</u>	<u>65,806</u>	<u>181,013</u>
Total liabilities and fund balances	<u>\$ 92,526</u>	<u>\$ 22,831</u>	<u>\$ 65,806</u>	<u>\$181,163</u>

See notes to financial statements

Township of Montrose
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Fire</u>	<u>Park</u>	<u>Cemetery</u>	
REVENUES				
Property taxes	\$ 55,439	\$	\$	\$ 55,439
Donations		20,000		20,000
Lot sales			10,200	10,200
Interest earnings	704	261	581	1,546
Miscellaneous	<u>264</u>	<u>1,746</u>		<u>2,010</u>
Total revenues	<u>56,407</u>	<u>22,007</u>	<u>10,781</u>	<u>89,195</u>
EXPENDITURES				
Current:				
General government			1,180	1,180
Public safety	11,833			11,833
Recreation & culture:				
Parks		<u>14,357</u>		<u>14,357</u>
Total expenditures	<u>11,833</u>	<u>14,357</u>	<u>1,180</u>	<u>27,370</u>
Net change in fund balances	44,574	7,650	9,601	61,825
Fund balances- beginning	<u>47,952</u>	<u>15,031</u>	<u>56,205</u>	<u>119,188</u>
Fund balances- ending	<u>\$ 92,526</u>	<u>\$ 22,681</u>	<u>\$ 65,806</u>	<u>\$181,013</u>

See notes to financial statements

Township of Montrose
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Property taxes and related fees	\$ 122,800	\$ 122,800	\$129,135	\$ 6,335
Licenses & permits	29,350	29,350	20,813	(8,537)
Federal aid	128,163	128,163	22,425	(105,738)
State aid	484,842	484,842	483,294	(1,548)
Charges for services	224,900	224,900	220,425	(4,475)
Interest earnings	7,500	7,500	1,699	(5,801)
Rental of building	3,000	3,000	1,900	(1,100)
Contributions & donations	14,200	14,200	11,062	(3,138)
Miscellaneous	<u>47,360</u>	<u>47,360</u>	<u>35,236</u>	<u>(12,124)</u>
Total revenues	<u>1,062,115</u>	<u>1,062,115</u>	<u>925,989</u>	<u>(136,126)</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	<u>263,243</u>	<u>263,243</u>	<u>254,902</u>	<u>8,341</u>
General government:				
Bookkeeper	4,150	4,150	4,134	16
Supervisor	28,550	28,550	29,567	(1,017)
Elections	12,000	12,000	3,918	8,082
Assessor	22,655	22,655	25,309	(2,654)
Clerk	50,365	50,365	50,379	(14)
Board of review	1,180	1,180	939	241
Treasurer	36,050	36,050	36,649	(599)
Cemetery	<u>42,000</u>	<u>42,000</u>	<u>41,110</u>	<u>890</u>
Total general government	<u>196,950</u>	<u>196,950</u>	<u>192,005</u>	<u>4,945</u>

Township of Montrose
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Current:				
Public safety:				
Fire department	116,920	116,920	155,175	(38,255)
Building inspection	32,212	32,212	29,378	2,834
Zoning board of				
appeals	1,615	1,615	1,130	485
Planning				
commission	4,350	4,350	3,342	1,008
Total public				
safety	155,097	155,097	189,025	(33,928)
Public works:				
Street lights	6,600	6,600	5,005	1,595
Roads	1,000	1,000	7,369	(6,369)
Drain at large	15,000	15,000	15,528	(528)
Waste pickup	155,000	155,000	152,395	2,605
Total public				
works	177,600	177,600	180,297	(2,697)
Recreation &				
culture:				
Community				
center	79,600	79,600	79,439	161
Library	11,150	11,150	13,036	(1,886)
Total recreation				
& culture	90,750	90,750	92,475	(1,725)
Unallocated:				
Legal &				
settlements	40,000	40,000	144,300	(104,300)
Total				
expenditures	923,640	923,640	1,053,004	(129,364)
Excess of revenues				
over expenditures	138,475	138,475	(127,015)	(265,490)

Township of Montrose
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
OTHER FINANCING				
SOURCES (USES)				
Transfer in	51,186	51,186	242,450	191,264
Transfer out	(189,661)	(189,661)	(215,000)	(25,339)
Total other other financing sources and uses	(138,475)	(138,475)	27,450	165,925
Net change in fund balances			(99,565)	(99,565)
Fund balances- beginning			131,764	131,764
Prior period adjustment			24,710	24,710
Fund balances-ending	<u>\$</u>	<u>\$</u>	<u>\$ 56,909</u>	<u>\$ 56,909</u>

See notes to financial statements

Township of Montrose
Police Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Property taxes	\$ 147,200	\$ 147,200	\$166,385	\$ 19,185
Federal aid	58,800	58,800	40,171	(18,629)
State aid	1,500	1,500	4,170	2,670
Charges for services	66,000	66,000	72,182	6,182
Contributions from other governments	177,160	177,160	162,397	(14,763)
Interest earnings	700	700	393	(307)
Fines & forfeits	24,000	24,000	29,150	5,150
Miscellaneous	5,600	5,600	6,983	1,383
Total revenues	<u>480,960</u>	<u>480,960</u>	<u>481,831</u>	<u>871</u>
EXPENDITURES				
Public safety:				
Wages	518,994	518,994	447,439	71,555
Payroll taxes	38,925	38,925	34,229	4,696
Pension	25,950	25,950	18,293	7,657
Postage	500	500	151	349
Operating supplies	2,000	2,000	10,803	(8,803)
Uniforms	2,000	2,000	2,324	(324)
Dry cleaning	800	800	801	(1)
Professional services	20,000	20,000	12,330	7,670
Radio repair	1,000	1,000	225	775
Telephone	4,400	4,400	10,599	(6,199)
Gas & oil	16,000	16,000	24,497	(8,497)
Mileage	600	600	622	(22)
Printing & publishing	500	500	918	(418)
Insurance	90,716	90,716	97,326	(6,610)
Utilities	4,000	4,000	3,447	553
Vehicle maintenance	10,000	10,000	18,150	(8,150)
Maintenance	1,000	1,000	2,378	(1,378)
Equipment rental	7,000	7,000	2,206	4,794
Miscellaneous	1,000	1,000	580	420
Training & seminars	3,000	3,000	2,783	217
Membership & dues	1,000	1,000	3,839	(2,839)
Capital outlay	5,000	5,000	23,734	(18,734)
Total expenditures	<u>754,385</u>	<u>754,385</u>	<u>717,674</u>	<u>36,711</u>

Township of Montrose
Police Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Excess (deficiency) of revenues over (under) expenditures	(273,425)	(273,425)	(235,843)	37,582
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>189,661</u>	<u>189,661</u>	<u>238,420</u>	<u>48,759</u>
Net change in fund balances	(83,764)	(83,764)	2,577	86,341
Fund balances- beginning			34,832	34,832
Prior period adjustment	<u> </u>	<u> </u>	<u>20,861</u>	<u>20,861</u>
Fund balances- ending	<u><u>\$ (83,764)</u></u>	<u><u>\$ (83,764)</u></u>	<u><u>\$ 58,270</u></u>	<u><u>\$142,034</u></u>

See notes to financial statements

Township of Montrose
Sanitary Landfill Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
State aid	\$	\$	\$ 41,971	\$ 41,971
Impact fees	500,000	500,000	500,408	408
Interest earnings	7,000	7,000	6,765	(235)
Miscellaneous			3,137	3,137
Total revenues	<u>507,000</u>	<u>507,000</u>	<u>552,281</u>	<u>45,281</u>
EXPENDITURES				
Public works:				
Sanitarian	38,400	38,400	30,576	7,824
Roads	<u>300,000</u>	<u>300,000</u>	<u>240,053</u>	<u>59,947</u>
Total expenditures	<u>338,400</u>	<u>338,400</u>	<u>270,629</u>	<u>67,771</u>
Excess (deficiency) of revenues over (under) expenditures	168,600	168,600	281,652	113,052
OTHER FINANCING SOURCES (USES)				
Transfers (out)			(365,870)	(365,870)
Net change in fund balances	168,600	168,600	(84,218)	(252,818)
Fund balances- beginning			644,540	644,540
Fund balances- ending	<u>\$ 168,600</u>	<u>\$ 168,600</u>	<u>\$560,322</u>	<u>\$391,722</u>

See notes to financial statements

Township of Montrose
Fire Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes	\$ 49,200	\$ 49,200	\$ 55,439	\$ 6,239
Interest earnings	1,000	1,000	704	(296)
Miscellaneous	<u>26,450</u>	<u>26,450</u>	<u>264</u>	<u>(26,186)</u>
Total revenues	<u>76,650</u>	<u>76,650</u>	<u>56,407</u>	<u>(20,243)</u>
EXPENDITURES				
Public safety:				
Vehicle maintenance			1,355	(1,355)
Equipment	20,000	20,000	10,472	9,528
Service charges	<u> </u>	<u> </u>	<u>6</u>	<u>(6)</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>11,833</u>	<u>8,167</u>
Net change in fund balances	56,650	56,650	44,574	(12,076)
Fund balances- beginning	<u> </u>	<u> </u>	<u>47,952</u>	<u>47,952</u>
Fund balances- ending	<u>\$ 56,650</u>	<u>\$ 56,650</u>	<u>\$ 92,526</u>	<u>\$ 35,876</u>

See notes to financial statements

Township of Montrose
Park Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Donations	\$ 22,000	\$ 22,000	\$ 20,000	\$ (2,000)
Interest earnings	900	900	261	(639)
Miscellaneous			1,746	1,746
Total revenues	<u>22,900</u>	<u>22,900</u>	<u>22,007</u>	<u>(893)</u>
EXPENDITURES				
Recreation & culture:				
Parks:				
Wages	22,000	22,000	5,989	16,011
Payroll taxes			813	(813)
Operating supplies			3,156	(3,156)
Professional services			3,563	(3,563)
Gas and oil			102	(102)
Equipment			734	(734)
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>14,357</u>	<u>7,643</u>
Net changes in fund balances	900	900	7,650	6,750
Fund balances- beginning			<u>15,031</u>	<u>15,031</u>
Fund balances- ending	<u>\$ 900</u>	<u>\$ 900</u>	<u>\$ 22,681</u>	<u>\$ 21,781</u>

See notes to financial statements

Township of Montrose
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Lot sales	\$ 5,000	\$ 5,000	\$ 10,200	\$ 5,200
Interest earnings	<u>1,500</u>	<u>1,500</u>	<u>581</u>	<u>(919)</u>
Total revenues	6,500	6,500	10,781	4,281
EXPENDITURES				
General government:				
Cemetery:				
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>1,180</u>	<u>3,820</u>
Net changes in fund balances	1,500	1,500	9,601	8,101
Fund balances- beginning	<u> </u>	<u> </u>	<u>56,205</u>	<u>56,205</u>
Fund balances- ending	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 65,806</u>	<u>\$ 64,306</u>

See notes to financial statements

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Township Board
Township of Montrose
Montrose, Michigan

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Montrose, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Township of Montrose, Michigan's basic financial statements and have issued our report thereon dated June 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Montrose's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Township of Montrose
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Montrose's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Township Board, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Handell, CPA, PC

June 14, 2005

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Township Board
Township of Montrose
Montrose, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of our examination for the year ended December 31, 2004.

Budget

The Township budget in recent years has not been prepared and approved on a timely basis. We recommend the budget be prepared and approved by the Township Board before December 31st of each year.

General ledger

In the general ledger, the reference number for checks written does not agree to the actual check number. We recommend the bookkeeper to check with the software vendor about how to correct this problem.

Approval of invoices by the Township Board

During 2004 the Township Board approved invoices at their monthly meetings. We recommend that the check preparation be done prior to the board meetings and that the Township Board approve the checks and the attached invoices at the monthly meetings.

Cash collections

The Township accepts cash for payment of sewer and water usage collections, special assessments and property tax collections.

Barry E. Gaudette, CPA, P.C.

June 14, 2005